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April 22, 2004

VIA HAND DELIVERY

Ms. Deborah Taylor Tate, Chairman
TENNESSEE REGULATORY AUTHORITY
460 James Robertson Parkway
Nashville, Tennessee 37243

Re: *Petition of Chattanooga Gas Company for Approval of Adjustment of its Rates and Charges and Revised Tariff, Docket No. 04-00034*

Dear Chairman Tate:

Enclosed please find the original and thirteen (13) copies of our letter response, on behalf of the Intervenor Gas Technology Institute, to the request for information made by the Hearing Officer, General Richard Collier, at the scheduling conference on Monday, April 19, 2004.

Should you have any questions concerning this filing, please do not hesitate to contact me.

Thanking you in advance for your assistance with this matter, I am

Very truly yours,



R. Dale Grimes

RDG/tn
Enclosures

cc: D. Billye Sanders, Esq. (Via Facsimile and U.S. Mail)
Timothy C. Phillips, Esq. (Via Facsimile and U.S. Mail)
Henry M. Walker, Esq. (Via Facsimile and U.S. Mail)
David C. Higney, Esq. (Via Facsimile and U.S. Mail)
J. Richard Collier, Esq. (Via Facsimile and U.S. Mail)

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April 22, 2004

VIA HAND DELIVERY

J. Richard Collier, Esq.
General Counsel
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

Re: *Petition of Chattanooga Gas Company for Approval of Adjustment of its Rates and Charges and Revised Tariff, Docket No. 04-00034*

Dear General Collier:

I am writing to you in your capacity as Hearing Officer in the above-referenced matter. At the scheduling conference on Monday, April 19, 2004, you requested that I respond to two inquiries on behalf of my client, the Intervenor Gas Technology Institute ("GTI"). Those responses are set forth below.

First, GTI was asked to provide the rates of the current FERC surcharge for support of GTI research and development activities. I am advised that this rate is currently 0.56 cents per Dth.¹ This rate became effective as of January 1, 2003, and will remain in effect until no later than December 31, 2004. After that date, there will be no more FERC surcharge for this activity, unless there is a successful effort to reverse the phase-out at the national level.

Up to and including 1998, the FERC surcharge rate was 1.74 cents per Dth. Pursuant to the FERC's decision to transfer research and development funding authority to the state jurisdictions, that rate has been gradually phased out. Since 1998, the FERC surcharge has been as follows (expressed in cents per Dth): 1999 -- 1.51; 2000 -- 1.38; 2001 -- 1.0; 2002 -- 0.7; and 2003 -- 0.56. GTI's request in this docket would reestablish the rate at the 1998 FERC level.

Second, you have requested GTI to state whether the amount of money it is requesting the TRA to authorize Chattanooga Gas to collect from its customers would be included in the purchased gas adjustment ("PGA") or through Chattanooga Gas' rates. GTI's request is that the

¹ This is the one-part rate equivalent based on 100% load factor. The actual FERC rate is a two-part rate, based on a volumetric charge and a demand charge. The one-part rate equivalent results in the lower consumer cost.

J. Richard Collier, Esq.

April 22, 2004

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charges be collected from customers through the PGA, as recommended by Chattanooga Gas, or through some similar mechanism.

GTI firmly believes that the research and development activities conducted under its auspices are beneficial to consumers and should be supported by consumers at the level requested. Should the TRA decide that research and development would best be funded some way other than through the PGA or a similar mechanism, including Chattanooga Gas' rates, GTI would have no objection to such alternative methodology.

GTI trusts that this letter answers the inquiries made at the scheduling conference. We appreciate having the opportunity to provide this information to you.

Very truly yours,

A handwritten signature in black ink, appearing to read "R. Dale Grimes", written in a cursive style.

R. Dale Grimes

RDG/tn

cc: D. Billye Sanders, Esq. (Via Facsimile and U.S. Mail)
Timothy C. Phillips, Esq. (Via Facsimile and U.S. Mail)
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